

## NEWS RELEASE

26 June 2008

### KYLYLAHTI PROJECT UNDERWAY – UPDATE ON MINE PROGRESS, ENGINEERS APPOINTED

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Vulcan Resources Limited (“Vulcan”) (ASX: VCN, FSE: VUA, WKN: A0HHEF, Norwegian OTC: VCNR) today provided an update on progress at its Kylylahti mine in Finland.

A number of key engineering contracts have been awarded for the development of the project. The engineers appointed provide process engineering skills, plant design and layout skills, expertise in tailoring engineering for Finnish climatic and operating conditions and current mine project experience in Finland. This has resulted in a mix of Australian and Finnish engineering groups and Finnish procurement and construction management expertise.

Vulcan’s Managing Director, Dr Alistair Cowden, said “We are putting in place all project management and implementation structures to permit the commencement of site works after the Finnish summer break. The project is underway.”

#### **Front-End Engineering**

Arcon (WA) Pty Ltd, a Western Australian company with engineers and designers experienced in the project’s process area, will undertake front end engineering. BEC Engineering Pty Ltd, a leading Australian electrical engineering consultant, has been awarded a contract for electrical and instrumentation design. Input from Finnish engineers will be incorporated into the engineering management for the basic design to ensure compatibility with Finnish standards and conditions.

#### **Detailed Engineering**

SWECO Industry Oy, a major consulting engineering company in Finland, will be responsible for all detailed engineering on the project. Basic engineering design will be progressively handed over to SWECO by Arcon and BEC. Liaison between the engineers carrying out the basic design and those completing the detailed design will continue throughout the design process. Engineering design will be essentially complete prior to major works commencing on site. The SWECO engineers and designers allocated to the project have just completed a similar project in Finland, having accumulated significant experience which can be applied to Kylylahti.

#### **Project Management**

Management of the project will be by an integrated team comprising Vulcan’s team led by Project Director, Mr John Brodziak and Engineering Manager, Mr Brad Brown together with Finland’s largest independent and privately owned full-service project management company, Ahma Engineers Ltd. In addition to the provision of management services for private clients, Ahma are providing services to large-scale public construction and infrastructure projects such as the new Helsinki harbour construction project and the construction of a nuclear power station. Ahma will provide the construction management, procurement and project controls engineering along with site supervision, and will provide persons to fill a number of statutory roles required under Finnish law. Ahma is currently finalising a similar mining project in the north of Finland where they have carried out a comparable role. Staff experienced on the previous project will be employed at Kylylahti.

## **Mine Development**

Development of the mine will be carried out under two main contracts. These will be tendered to Finnish and Finland-based divisions of Swedish contractors. The main contract is that for the decline development, which will be a three year contract. This will include the development of mining level drives as well as the access decline. The second contract will be a contract to excavate two ventilation raises. The decline development contract will be awarded in October 2008, development will commence in December 2008, and will see the commencement of stoping by Vulcan in the third quarter of 2010.

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## **About Vulcan**

Vulcan Resources Limited is a base and precious metals development and exploration company in Finland.

The Company's primary focus is the completion of a definitive feasibility study on its 100% owned Kylylahti copper-cobalt project located in eastern Finland which has a Resource of 7.85 million tonnes grading 1.17% copper, 0.24% cobalt, 0.22% nickel, 0.49% zinc and 0.70 g/t gold. For a detailed breakdown of the Measured, Indicated and Inferred Resources, see ASX release dated 26/06/07.

A Definitive Feasibility study managed by SNC-Lavalin Australia is examining the construction of a 13 year underground mine, concentrator and nickel-cobalt-zinc concentrate processing plant.

The Kuhmo Nickel Project is 95% owned by Vulcan and has a Resource containing 38,000 tonnes of nickel metal and over 80,000 ounces of platinum and palladium. For a detailed breakdown of Resources see ASX release dated 13/11/07.

Vulcan also has extensive iron-vanadium-titanium and nickel-copper projects in northern Finland.

Vulcan is listed on the Australian Stock Exchange (VCN), the Frankfurt Stock Exchange (VUA) and the Norwegian OTC (VCNR).

## **About Kylylahti**

The Kylylahti copper-cobalt-nickel project is located in central eastern Finland. The project is 380 kilometres north-east of Helsinki and is accessible by a sealed road and by air via Joensuu, 40 kilometres to the south-east. The Kylylahti deposit was discovered by Outokumpu Oy in 1984 and sits within the historic Outokumpu copper mining district.

The project was purchased by Vulcan's subsidiary company, Kylylahti Copper Oy, in December 2004. Ninety holes were drilled into the deposit by Outokumpu (33,265 metres) and including geotechnical holes, Vulcan has drilled 49 holes (16,890 metres) up until January 2008. The Resource estimate was reported according to the JORC Code (ASX Release 26 June 2007) and has a total Measured, Indicated plus Inferred Mineral Resource of 7.85 Mt at a grade of 1.17% copper, 0.24% cobalt, 0.22% nickel, 0.49% zinc and 0.70 g/t gold.

Vulcan has completed a definitive feasibility study for the mining, processing, and sale of products from the Kylylahti deposit. Vulcan's timetable sees the commencement of construction activities at the project site in third quarter 2008. Vulcan proposes an underground mining operation accessed by a decline which will see ore generated from conventional longhole open stopes with filling of underground voids with paste fill injected from surface. Ore production is currently planned at 800 ktpa.

Vulcan's processing plan is to crush and concentrate the ore by flotation on site to yield two products - a copper-gold concentrate and a nickel-cobalt-zinc concentrate. Letters of Intent have been executed with potential customers.

The Kylylahti mine and plant are located on three granted mining leases and an Environmental Permit for the Kylylahti site has been awarded.

### **Competent Person Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and reviewed by Dr Alistair Cowden BSc (Hons), PhD, MAusIMM, MAIG, Mr Nicholas Walker, BSc (Hons), MSc MAIG and Mr Jarmo Vesanto, MSc (Geology), MAusIMM, who are full time employees of the Company and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Alistair Cowden, Mr Nicholas Walker and Mr Jarmo Vesanto consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.